

BEST VALUE UNDER THE REVISED A-76 HANDBOOK

The Revised Supplemental A-76 Handbook (March 1996) appears to have fallen considerably short of the mark in its attempt to interject best value contracting into the A-76 process. The Handbook now recognizes that the Source Selection Authority should identify the contractor offer which “represents the best overall value to the Government” (Chap. 3, H.3.c., page 12). However, the Handbook fails to have the competition between the selected contractor and the Government in-house MEO also conducted on a best value basis. This selection is based on an go/ no go/ low price evaluation where a minimum 10 percent or \$10 Million cost differential must be established to convert to contractor performance (Chap 4, A1, page 28). This disparity in selection criteria for the two competitions a) actually discourages the use of best value contracting in selecting the best contractor, and b) may not allow the type of selection decision that would be most useful in deciding whether or not to proceed with innovative programs, like the M109 Fleet Management Program, that offer potential system enhancements as well as cost savings.

Having different selection standards for the contractor/contractor and contractor MEO competitions will most likely cause Source Selection Authorities to use go /no go / low price in both competitions. If best value is used in the contractor competition, contractors would be told that the winning contractor will be selected based on merit factors as well as price. (For pilot programs to reinvent the system where only cost type contracts will be possible, merit will most likely be at least equal to or greater in importance than cost.) Contractors will also be told in the contractor/contractor best value competition that the Government reserves the right to award to other than the low offeror or the highest merit proposal. Under these conditions, contractors will not be proposing their least expensive method of performing the work. Consequently, the contractor selected in the contractor competition may be the best value for the Government, but it probably won't be the least expensive contractor in the field. Yet, this is the contractor that will be pitted against the Government MEO bid that is prepared for a competition where A-76 procedures only allow selection to be based on a determination whether in-house or contractor performance is least expensive. Industry will readily recognized the futility of competing under these conditions: Other than low cost contractor offer v. MEO proposal prepared for low cost. In addition, the best value contractor proposal also will have to beat the MEO proposal by at least 10 per cent or \$10 Million in cost savings in order to be considered for award. Contractors won't want to play in this game. Market surveys for the M109 Fleet Management Program, for example, have indicated a strong industry position that unless the A-76 contractor / MEO selection procedures give contractors a fair opportunity to receive award, industry will not expend the effort and expense to propose innovative solutions on how to reinvent the M109 maintenance and supply system. To ensure industry's participation in the pilot program, the Source Selection Authority must either obtain some type of waiver relief from the A-76 cost comparison procedures or abandon best value in the contractor / contractor competition in favor of go/no go/low cost in both the contractor / contractor and contractor / MEO competitions.

Omitting best value analysis from the contractor / MEO selection decision causes a special frustration for pilot programs that are intended to examine whether outsourcing could produce substantial and innovative system performance enhancements as well as cost savings. The point of having a pilot program is to do a test case to see what differences in performance, risk, and cost can result from outsourcing. Ideally, the decision whether or not to go forward with a pilot program should involve an examination of the differences in performance and risk that are associated with the differences in cost between contractor and MEO. Under the present A-76 procedures, the Source Selection Authority can only take the performance improvements that result from industry innovations, give the MEO an opportunity to meet the higher standards, make a go / no go type determination that the higher standards have been met and then treat both offerors as if there are no performance or risk differences. An innovative contractor solution that has proven successful in the private sector and that offers greater system enhancements and lower risk will not be permitted to be tried if the contractor can only show a 9 per cent cost savings over an MEO that has yet to exist and didn't have the expertise to propose the innovative solution. For all the reasons that best value source selection is superior in complex buys, best value should be available to the Source Selection Authority deciding whether a pilot program to revamp a suspect system would be worthwhile.